

Payments industry reacts to Russia's invasion of Ukraine and international sanctions

Article

The news: Visa and Mastercard blocked multiple Russian financial institutions (FIs) from their networks to comply with government sanctions imposed after Russia invaded Ukraine, per

Reuters. Both payment networks also said they are prepared to comply with any future sanctions.

Neither network disclosed which FIs had been cut off, but a source told Reuters they include entities listed by the US as “Specially Designated Nationals.”

What else is happening: The international community has deployed a bevy of escalating sanctions targeting payments and Russia’s financial system in response to the invasion of Ukraine.

- The US, the UK, the EU, and Canada **removed** major Russian banks from the **Society for Worldwide Interbank Financial Telecommunication (Swift)** on Saturday. Swift’s global messaging system facilitates payments for more than 11,000 financial institutions in over 200 countries and territories. Getting cut out of the Swift network could limit export payments for Russia and complicates matters for Russian entities doing business in Western markets.
- The **National Bank of Ukraine (NBU)** called on Visa and Mastercard to stop servicing their payment cards issued by Russian banks after the **Central Bank of Russia (CBR)** said cards issued by six Russian banks would “work throughout Russia without restrictions” despite sanctions, per NFCW.
- And remittance providers **Wise** and **Remitly** suspended their money transfer services in Russia on Monday to comply with sanctions, per Reuters. Wise also waived fees on over £500,000 (around \$555,000) transfers to Ukraine intending to help residents receive emergency support.

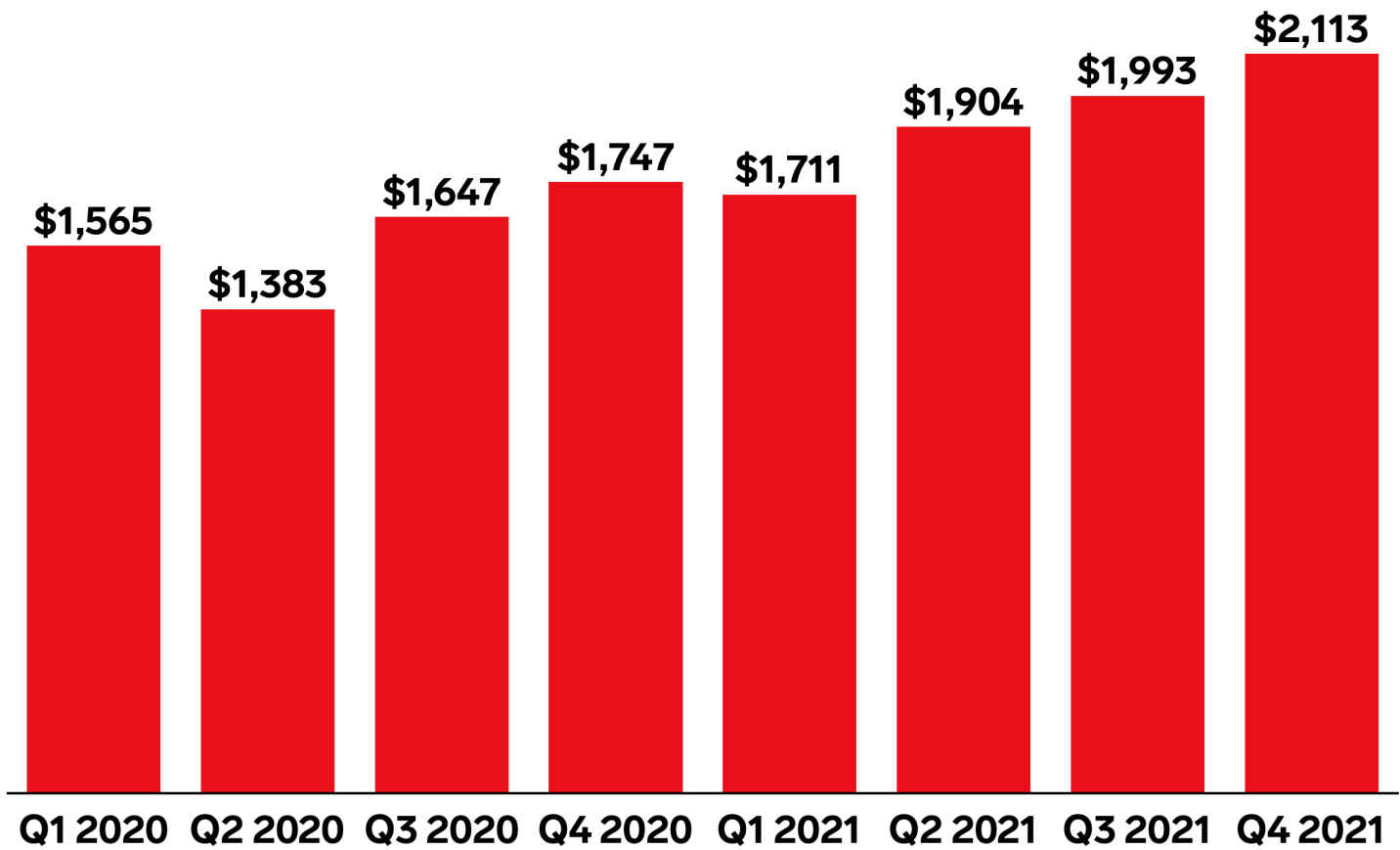
Why this matters: These sanctions will likely have ripple effects not only on the Russian payments ecosystem, but also on the global payments market.

- Russian consumers may **rely** more heavily on cash or other digital payment methods, like cryptocurrencies or **Mir**, the card-based payment provider **supported** by the Kremlin in response to US sanctions from annexing Crimea. Consumers in Russia have flocked to banks and ATMs to withdraw foreign currency as the Russian ruble tumbles, **per** Insider.
- Zooming out, Visa and Mastercard respectively have **58% and 41% market share of Europe’s global network cards industry**, per The Nilson Report. Cutting off Russia may therefore crimp some of the payment networks’ volume in the region.

Related content: For more information on the financial implications of US sanctions on Russia, check out our **banking** analysts’ take.

Mastercard Global Gross Dollar Volume

billions



Note: Data is for all Mastercard credit, charge, and debit programs

Source: Mastercard, 2022

Methodology: Data is from Mastercard's quarterly earnings reports.

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